



September 11, 2024

Notice is hereby given of a Special Meeting of Nacogdoches City Council to be held on the above date in the City Council Chambers of City Hall, 202 E. Pilar Street, Nacogdoches, Texas, beginning at 3:00 p.m. for the purpose of considering the following agenda items.

Some City Council Members may attend via videoconference but a quorum of the City Council and the Presiding Officer will be present at the above-stated physical location. The meeting will be streamed live at: <https://www.nactx.us/21>. There will be an opportunity for the public to comment on agenda items in person in Council Chambers.

**PLEASE LIMIT PRESENTATIONS TO THREE MINUTES
(UNLESS PRIOR APPROVAL IS OBTAINED)**

1. CALL TO ORDER.
2. PLEDGE OF ALLEGIANCE.
3. OPEN FORUM. Open Forum is an opportunity for citizens to address the City Council about items listed on the agenda, as well as on matters that are not specifically listed on the agenda. Alternatively, a citizen may address the City Council about an agenda item when the item comes up for consideration during the meeting. In order to address the City Council, please complete the Public Comment Form and submit it to the City Secretary prior to the start of the meeting. In accordance with the Texas Open Meetings Act, the City Council will not discuss, deliberate, or make any decisions on items not listed on the agenda. Comments are limited to 3 minutes per person.
4. REGULAR AGENDA: City Council will receive staff recommendations and public input on the following items, and may deliberate and take formal action on the item.
 - A. Consider approval of the 2024 Rate Study, presented by NewGen Strategies & Solutions.

5. ADJOURN.

Rhonda Lewis
City Secretary



This agenda is posted as required under G. C. Section 551.041. For more information or a copy of the Open Meetings Act, please contact Attorney General of Texas at 1-800-252-8011; City Secretary at (936) 559-2506 or visit City of Nacogdoches web site at www.nactx.us.

CERTIFICATION

I certify the notice of meeting was posted in the directory outside of City Hall, 202 E. Pilar Street, Nacogdoches, Texas on September 8, 2024, at 3:00 p.m. and remained posted until the meeting convened.

Rhonda Lewis, City Secretary



City Council Meeting

Date: September 11, 2024

Agenda Item: 4.A.

PRESENTER:

ITEM/SUBJECT: Consider approval of the 2024 Rate Study, presented by NewGen Strategies & Solutions.

SUMMARY/BACKGROUND: The City of Nacogdoches has contracted with NewGen Strategies & Solutions, LLC, to perform tasks related to the Nacogdoches Utility Rate and Design Study. Matthew Garrett, Managing Director of Client Relations & Services, will present this Rate Study to the Nacogdoches City Council for their review and approval.

Chapter 26 of the Property Tax Code requires taxing units to comply with truth-in-taxation laws in adopting their tax rate. A public hearing is required if the proposed tax rate exceeds the lower of the no new revenue tax rate or the voter approval tax rate. The proposed tax rate exceeds the no new revenue tax rate. A Notice of Proposed Tax Rate is required to be published in the newspaper, on the city website, and on a television channel, if applicable. The notice was posted as recurred.

FINANCIAL:

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES

CITY CONTACT: Todd Simoneaux, Interim Finance Director
simoneauxt@nactx.us
(936) 559-2506

ATTACHMENTS:

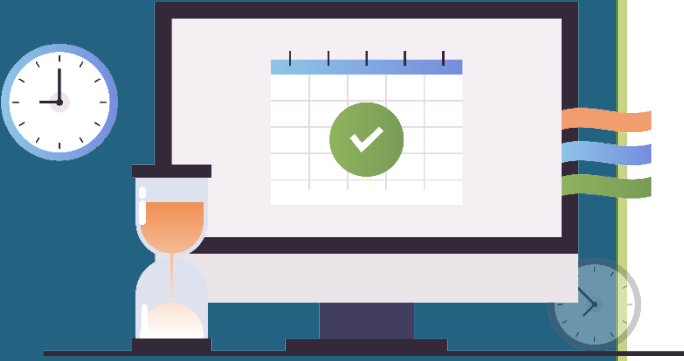
1. Nacogdoches Rate Study Presentation
2. Nacogdoches Cash Capital Funding Handout



September 2024

CITY OF NACOGDOCHES, TEXAS WATER AND SEWER RATE STUDY





AGENDA

- Introductions/Objectives of Rate Study
- Key Rate Drivers
- Projected Revenue Requirement
- Summary of Customer Usage
- Projected Rates
- Regional Comparisons
- Next Steps

NEWGEN AND PROJECT TEAM



Matthew Garrett, MBA, CGFO, CPM

Partner and Managing Director of Client Relations and Services

Project Manager

- Project coordination
- Rate design strategy
- Presentations to Staff / Council



Kim Bostik

Senior Manager

Lead Analyst

- Guide Consultants on utility billing analysis
- Rate model development
- Bill impact analysis / benchmarking

OBJECTIVES - BUSINESS FUNDAMENTALS



Revenue Sufficiency

Revenues must match or exceed expenses



Reserves

Must plan for a rainy day



Reinvestment

We must repair, replace, and reinvest in infrastructure

KEY RATE DRIVERS

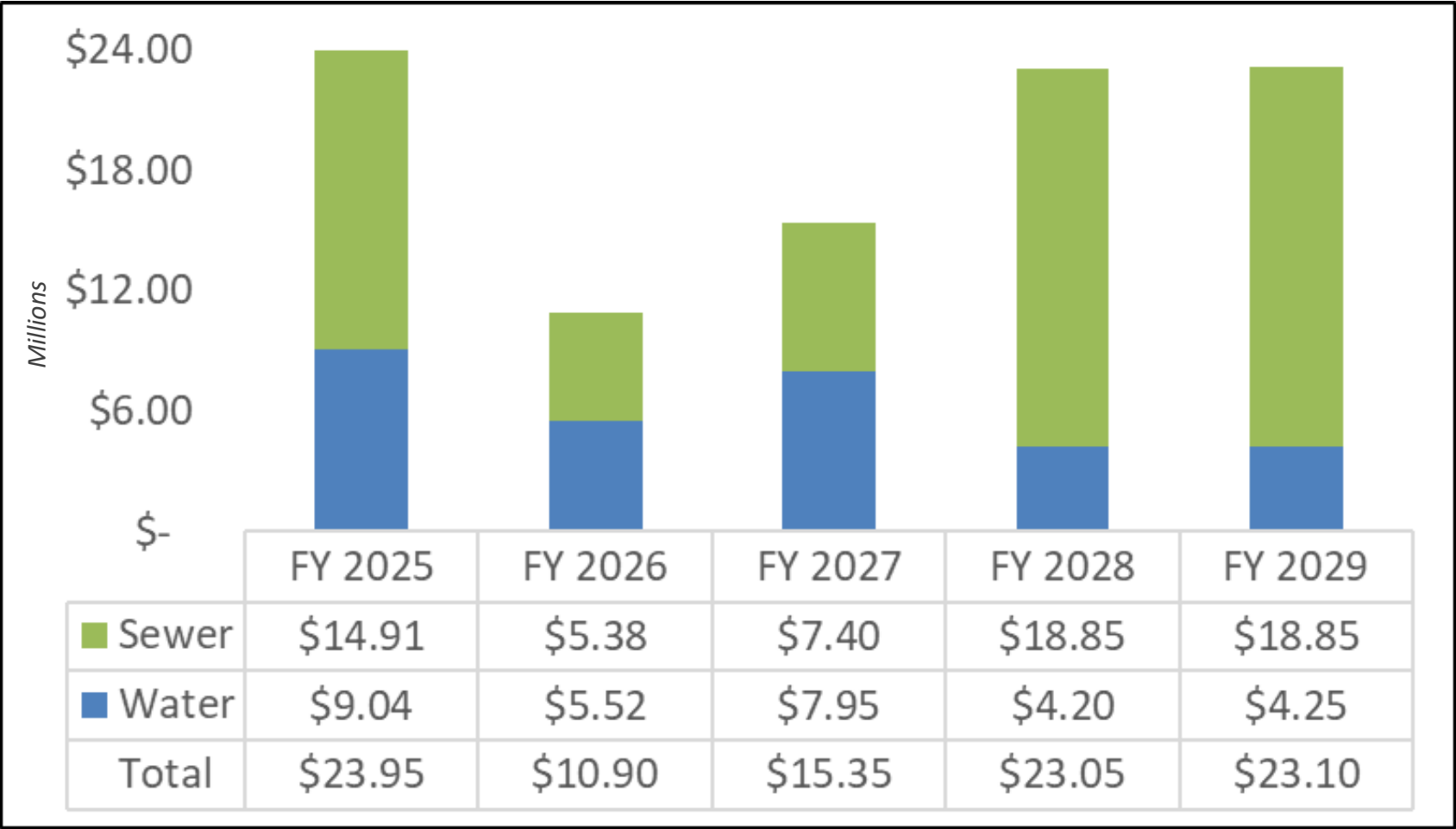
Financial
Performance

- \$96.35 Million in Capital Improvements proposed over the next five years
- Central Heights removed from the system (approximately 400 connections)
- Previous rate adjustment was October 2020

CAPITAL PLAN

\$ Millions

Totals \$96.35M
over next 5 years



CAPITAL PLAN (\$ MILLIONS)

FUNDING PLAN

\$35M Cash Funded

\$61M Debt Funded

PROJECT DESCRIPTION	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	TOTAL
Capital Project Funding						
Cash from Current Revenues	\$3.65	\$3.65	\$3.65	\$3.65	\$3.65	\$18.25
Cash from Capital Reserves	0.80	3.36	3.35	3.35	3.35	14.21
ARPA Funds	2.56	-	-	-	-	2.56
New Bonds	16.94	3.89	8.35	16.05	16.10	61.33
Total Capital Projects	\$23.95	\$10.90	\$15.35	\$23.05	\$23.10	\$96.35
New Debt						
Principal	\$16.94	\$3.89	\$8.35	\$16.05	\$16.10	\$61.33
Interest Rate %	4.57%	5.00%	5.00%	5.00%	5.00%	5.00%
Term	20	20	20	20	20	20
Annual P&I	\$1.31	\$0.31	\$0.67	\$1.29	\$1.29	\$4.87
Cumulative P&I	-	1.31	1.62	2.29	3.58	3.58
Total Cash Funded Capital	\$7.01	\$7.01	\$7.00	\$7.00	\$7.00	\$35.02

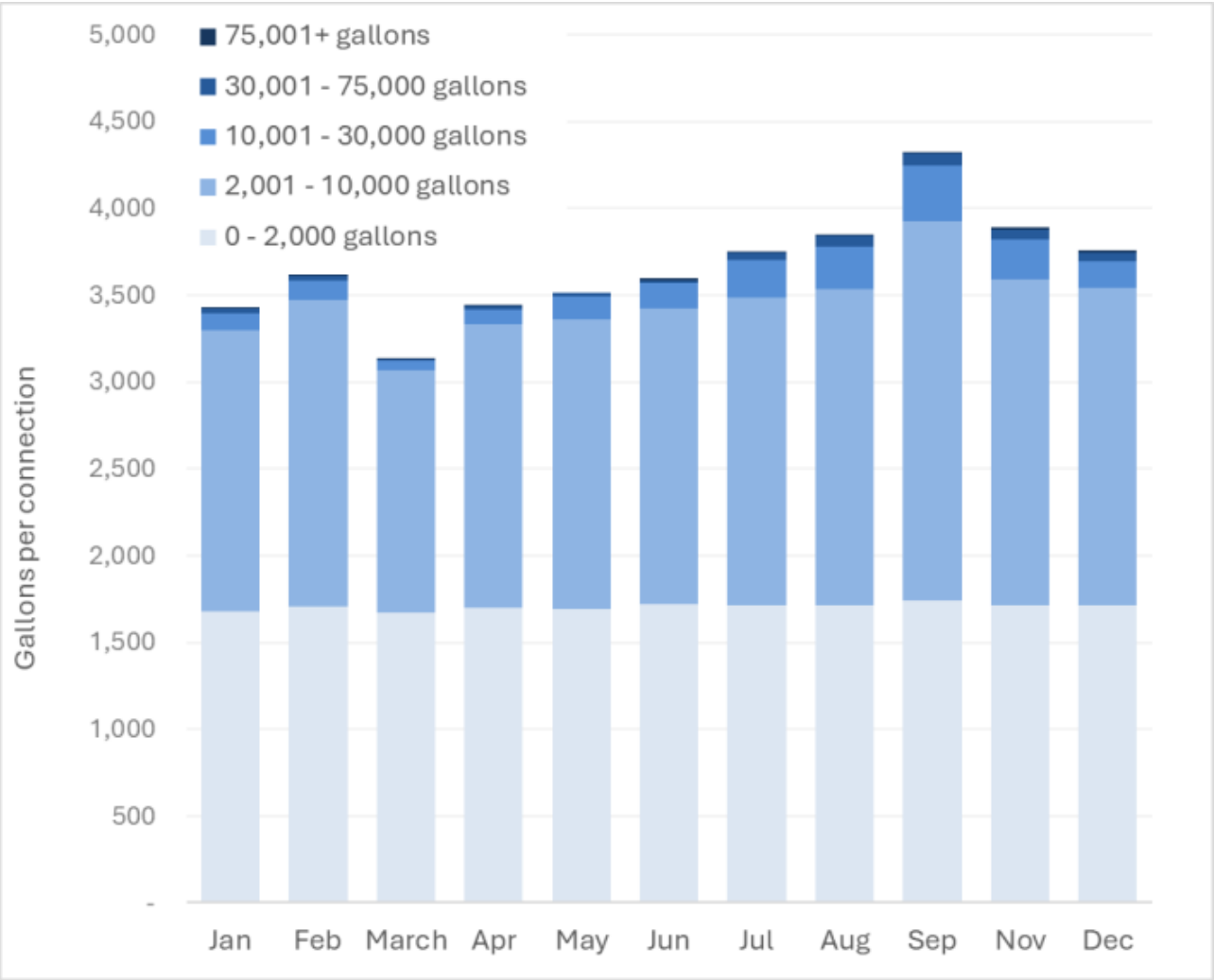
Notes:

[1] The first P&I payment is assumed to be in the year after issuance.

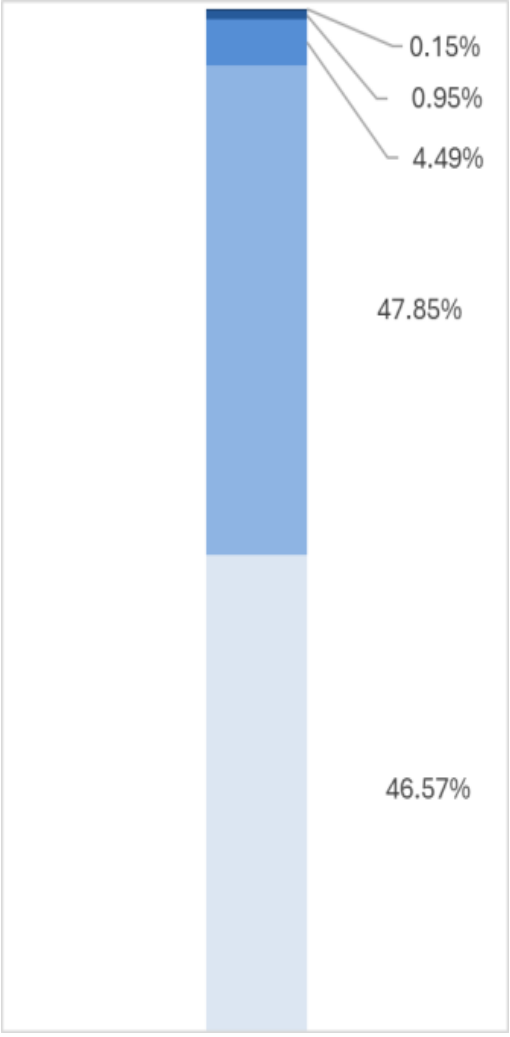
WATER USE (GALLONS)

Residential Inside

Average Residential Consumption by Month



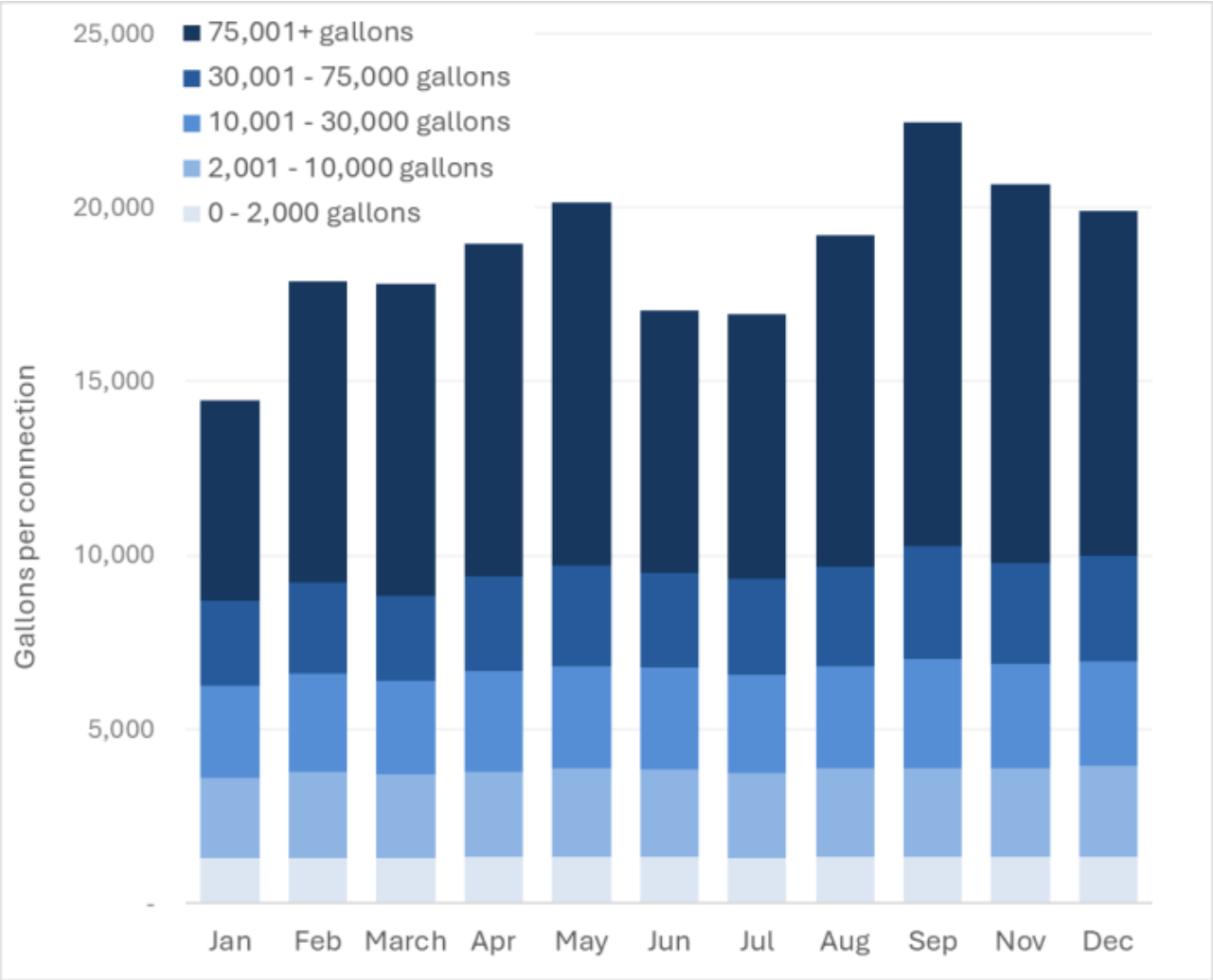
Annual Share



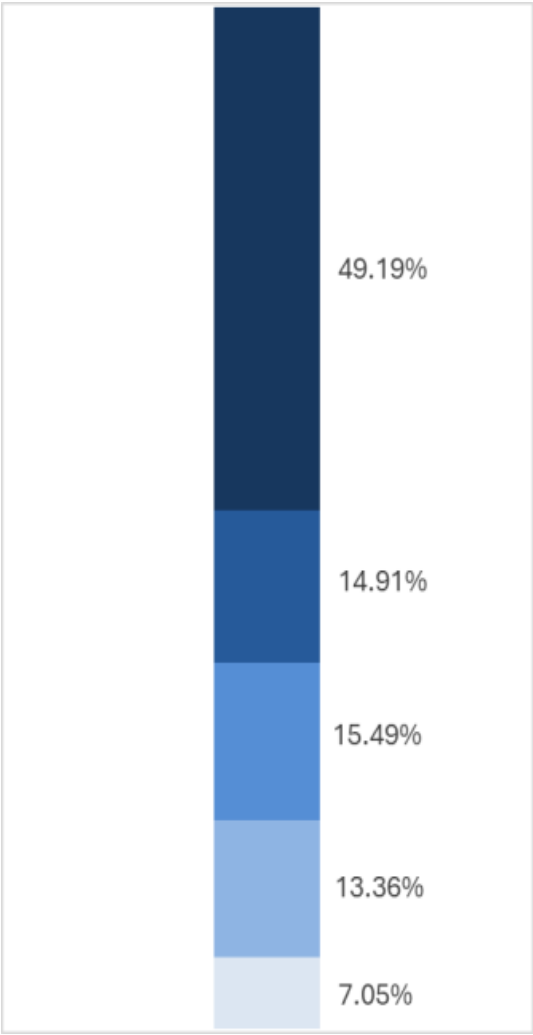
WATER USE (GALLONS)

Non-Residential Inside

Average Commercial Consumption by Month

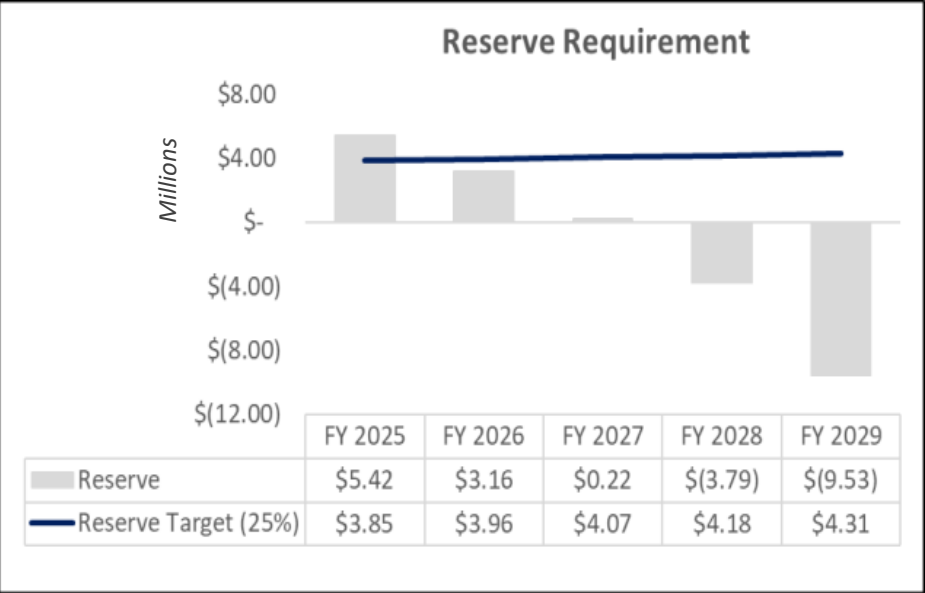
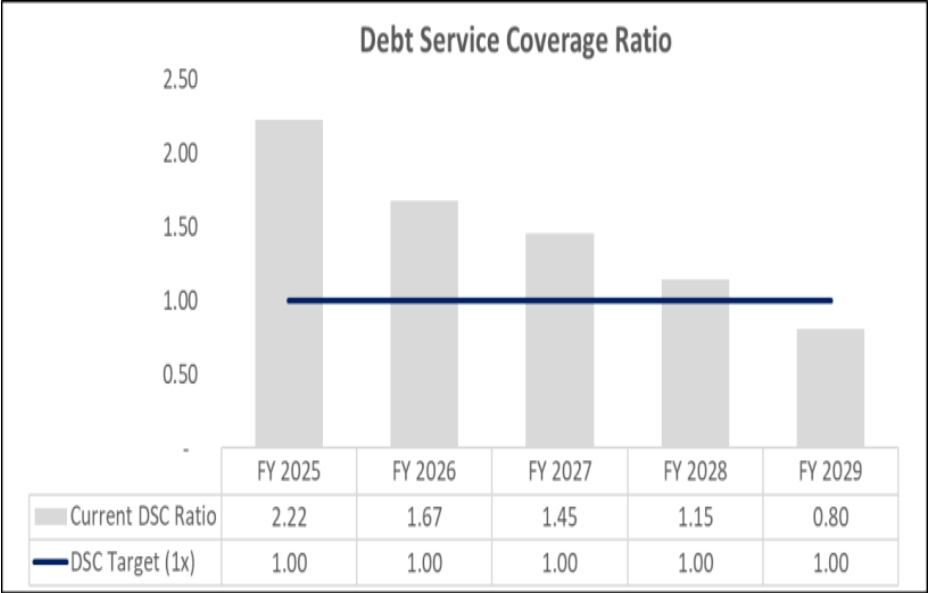
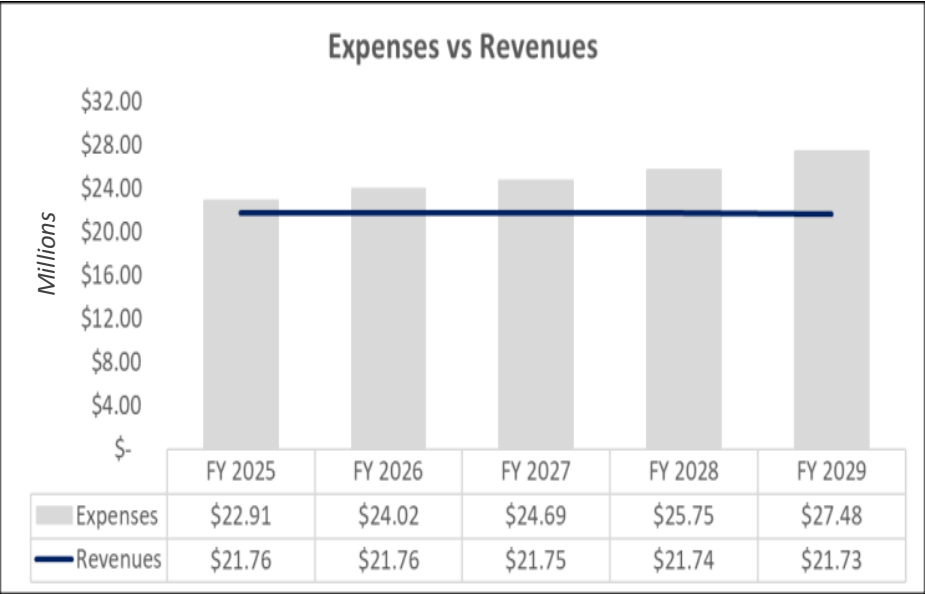


Annual Share



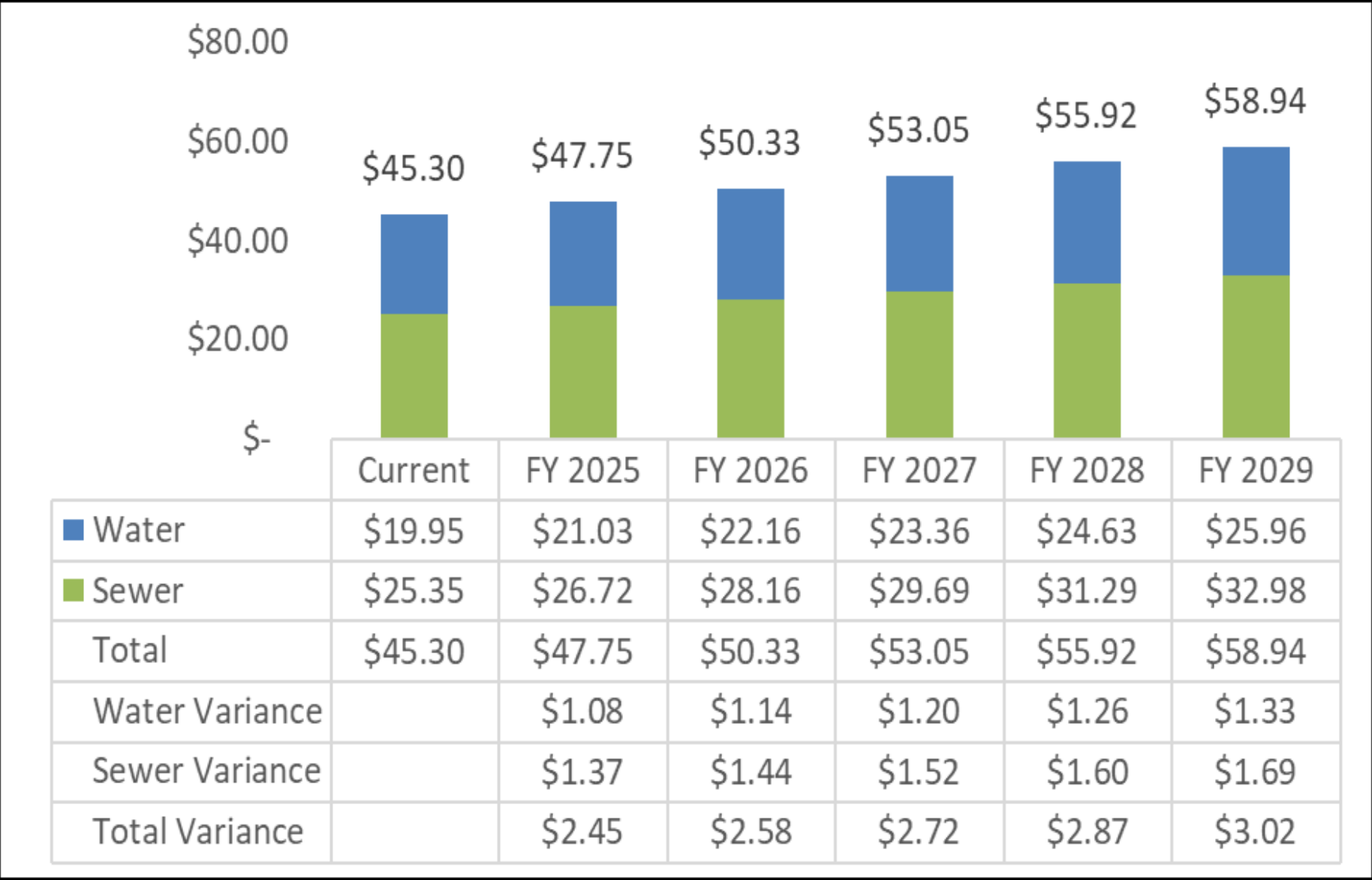
ANTICIPATED FINANCIAL PERFORMANCE UNDER CURRENT RATES

(\$ Millions)



MONTHLY BILL IMPACTS

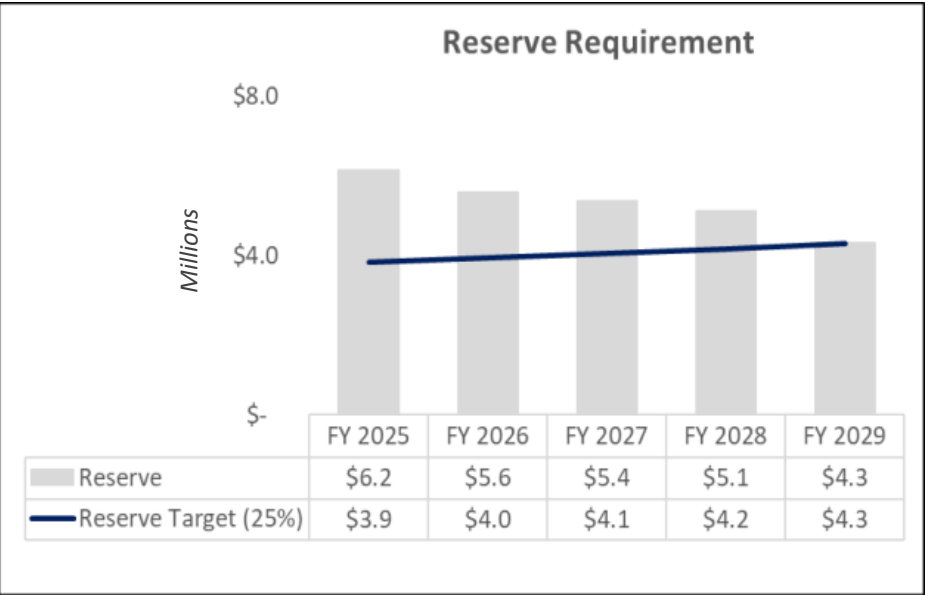
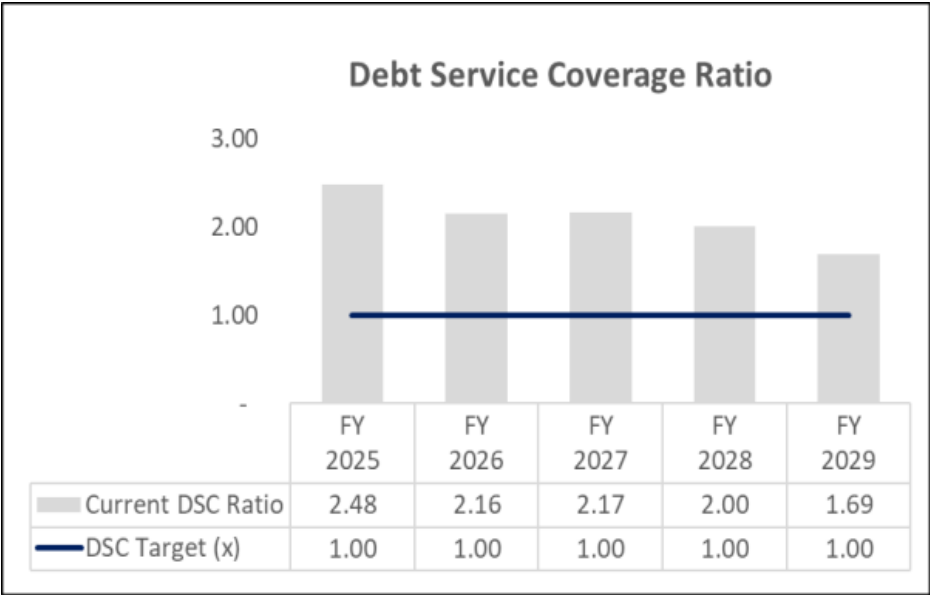
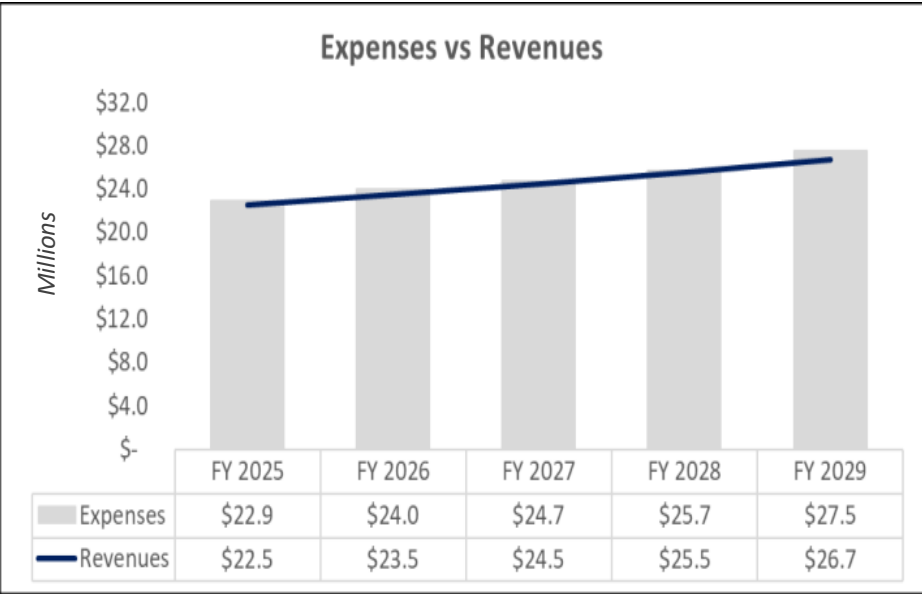
Residential 3/4”
4,000 gallons



Notes:
[1] Consumption/Flow = Annual average of 4,000 gallons water / sewer
[2] Annual Rate Change percent = 5.4%

ANTICIPATED FINANCIAL PERFORMANCE UNDER PROJECTED RATES

(\$ Millions)

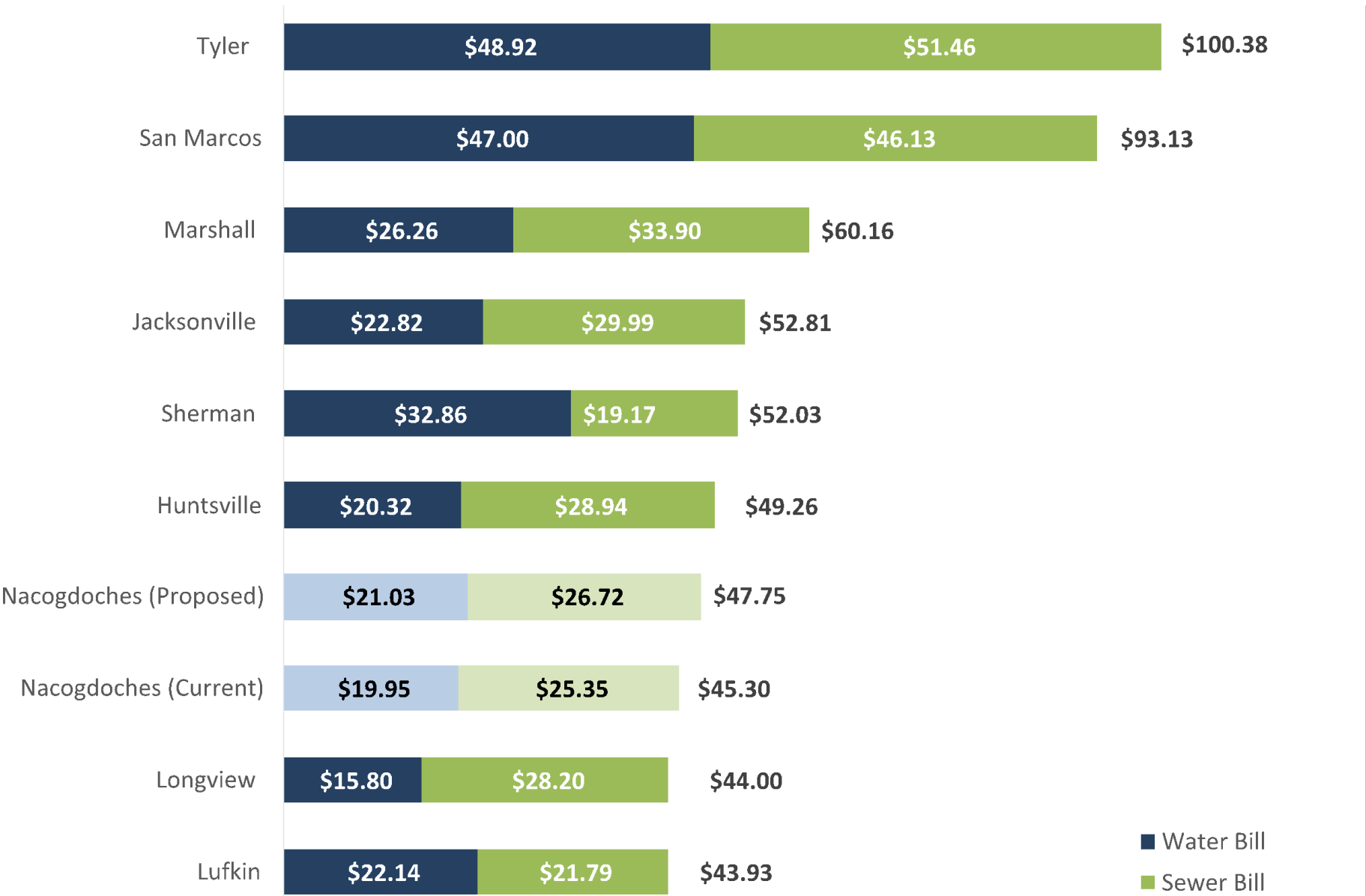


COMBINED REGIONAL BILL COMPARISON

Residential 3/4"

4,000 gallons

Regional Bill Comparison is based on publicly available data and NewGen’s understanding and interpretation of this data.



Notes:
[1] Consumption/Flow = Annual average of 4,000 gallons water / sewer
[2] Bills were calculated based NewGen’s understanding of the publicly available data as of 08/2024

PATH FORWARD



- City Council to determine the appropriate path forward and provide direction
- Rate increase must be acted on in order to fully fund the utility's expected cost and meet the City's financial metrics
- Rate action should be taken no later than October 2024 to meet the needs of the utility



QUESTIONS AND DISCUSSION

NEWGEN STRATEGIES AND SOLUTIONS
275 W. CAMPBELL ROAD, SUITE 440
RICHARDSON, TEXAS 75080

MATTHEW GARRETT
PARTNER AND MANAGING DIRECTOR
(972) 675-7699
MGARRETT@NEWGENSTRATEGIES.NET

CAPITAL PLAN (\$ MILLIONS)

WATER PROJECTS

PROJECT DESCRIPTION	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	TOTAL
Water Line Additions/Replacements - ARPA	\$1.05	\$ -	\$ -	\$ -	\$ -	\$1.05
Water Line Additions/Replacements	0.75	0.75	0.75	0.75	0.75	3.75
Water Line Developer Reimbursements	0.25	0.25	0.25	0.25	0.25	1.25
Major Water Line Repairs	-	-	-	2.50	2.50	5.00
Water Well Rehab (one annually)	0.35	0.35	0.35	0.35	0.35	1.75
SCADA Replacements & Upgrades	0.77	0.70	0.75	0.35	-	2.57
SWPS Transmission Line Replacement	-	0.45	4.10	-	-	4.55
AMR Transmitter & Meter Replacement	2.00	2.77	-	-	-	4.77
N Middle Plane Elevated Storage Tank	-	0.25	1.35	-	-	1.60
SSPS - SWPS Interconnect	-	-	-	-	-	-
Direct Connect US 59 Water Line Relocation	0.96	-	-	-	-	0.96
VFD for Motors at Surface Water Plant	1.60	-	-	-	-	1.60
Water Treatment Filter Reconstruction	0.40	-	0.40	-	0.40	1.20
SWTP LED Lighting	0.12	-	-	-	-	0.12
Blowers at SWTP	0.80	-	-	-	-	0.80
TOTAL	\$9.04	\$5.52	\$7.95	\$4.20	\$4.25	\$30.96

CAPITAL PLAN (\$ MILLIONS)

SEWER PROJECTS

PROJECT DESCRIPTION	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	TOTAL
Lift station (FM 1878) Replacement	\$0.90	\$ -	\$ -	\$ -	\$ -	\$0.90
Banita Creek Sewer Line Replacement	2.45	-	-	8.00	8.00	18.45
Lanana Creek Sewer Line Replacement	2.50	-	-	6.50	6.50	15.50
Sewer Line Additions/Replacements - ARPA	1.51	-	-	-	-	1.51
Sewer Line Additions/Replacements	0.75	0.75	0.75	0.75	0.75	3.75
Sewer Line Developer Reimb.	0.25	0.25	0.25	0.25	0.25	1.25
Direct Connect US 59 Sanitary Sewer Relocation	0.48	-	-	-	-	0.48
Major Sewer System Repairs	-	-	-	2.85	2.85	5.70
WWTP General Improvements	0.50	0.50	0.50	0.50	0.50	2.50
TDS & Phosphate Plant Upgrades	-	0.30	1.80	-	-	2.10
Clarifier 3 & 4 Rebuild	1.95	-	-	-	-	1.95
Clarifier 1 & 2 Repair	-	-	0.55	-	-	0.55
Grit Trap Replacement	1.10	-	-	-	-	1.10
SCADA Replacements & Upgrades	0.64	0.30	0.15	-	-	1.09
Digester Improvements	-	0.88	-	-	-	0.88
WWTP Surface Aerator Replacement	0.09	-	-	-	-	0.09
WWTP Headworks Conveyor Rebuild	0.06	-	-	-	-	0.06
WWTP 8" Pump Replacement	0.08	-	-	-	-	0.08
Aeration Upgrades to WWTP	0.30	2.40	3.40	-	-	6.10
Belt Press Building	1.35	-	-	-	-	1.35
TOTAL	\$14.91	\$5.38	\$7.40	\$18.85	\$18.85	\$65.39

WATER RATE DESIGN

Residential Inside,
Non-Residential Inside

	# of Accounts	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee							
3/4" or less	14,065	\$13.25	\$13.97	\$14.72	\$15.52	\$16.36	\$17.24
1"	360	33.13	34.92	36.80	38.79	40.89	43.10
1.5"	151	66.25	69.83	73.61	77.58	81.78	86.20
2"	205	106.00	111.73	117.77	124.13	130.84	137.92
3"	4	198.75	209.49	220.82	232.75	245.33	258.59
4"	18	331.25	349.15	368.03	387.92	408.88	430.98
6"	8	662.50	698.31	736.05	775.84	817.77	861.97
8"	-	1,060.00	1,117.29	1,177.68	1,241.34	1,308.43	1,379.15
10"	1	1,523.75	1,606.11	1,692.92	1,784.42	1,880.87	1,982.53
12"	1	2,848.75	3,002.72	3,165.02	3,336.09	3,516.41	3,706.47
Volumetric Rates (per kGal)							
0 - 2,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001 – 10,000 gallons		3.35	3.53	3.72	3.92	4.14	4.36
10,001 - 30,000 gallons		3.85	4.06	4.28	4.51	4.76	5.01
30,001 - 75,000 gallons		4.43	4.67	4.92	5.19	5.47	5.76
75,001+ gallons		5.10	5.37	5.66	5.97	6.29	6.63

WATER RATE DESIGN

Irrigation Inside

	# of Accounts	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee							
3/4" or less	1,188	\$13.25	\$13.97	\$14.72	\$15.52	\$16.36	\$17.24
1"	325	33.13	34.92	36.80	38.79	40.89	43.10
1.5"	138	66.25	69.83	73.61	77.58	81.78	86.20
2"	69	106.00	111.73	117.77	124.13	130.84	137.92
3"	-	198.75	209.49	220.82	232.75	245.33	258.59
4"	-	331.25	349.15	368.03	387.92	408.88	430.98
6"	-	662.50	698.31	736.05	775.84	817.77	861.97
8"	-	1,060.00	1,117.29	1,177.68	1,241.34	1,308.43	1,379.15
10"	-	1,523.75	1,606.11	1,692.92	1,784.42	1,880.87	1,982.53
12"	-	2,848.75	3,002.72	3,165.02	3,336.09	3,516.41	3,706.47
Volumetric Rates (per kGal)							
0 - 2,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001 – 10,000 gallons		4.19	4.42	4.66	4.91	5.17	5.45
10,001 - 30,000 gallons		4.82	5.08	5.35	5.64	5.95	6.27
30,001 - 75,000 gallons		5.54	5.85	6.16	6.49	6.84	7.21
75,001+ gallons		6.37	6.72	7.08	7.46	7.87	8.29

WATER RATE DESIGN

Heavy Industry Inside

	# of Accounts	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee							
3/4" or less	1	\$13.25	\$13.97	\$14.72	\$15.52	\$16.36	\$17.24
1"	6	33.13	34.92	36.80	38.79	40.89	43.10
1.5"	4	66.25	69.83	73.61	77.58	81.78	86.20
2"	10	106.00	111.73	117.77	124.13	130.84	137.92
3"	-	198.75	209.49	220.82	232.75	245.33	258.59
4"	4	331.25	349.15	368.03	387.92	408.88	430.98
6"	5	662.50	698.31	736.05	775.84	817.77	861.97
8"	1	1,060.00	1,117.29	1,177.68	1,241.34	1,308.43	1,379.15
10"	-	1,523.75	1,606.11	1,692.92	1,784.42	1,880.87	1,982.53
12"	-	2,848.75	3,002.72	3,165.02	3,336.09	3,516.41	3,706.47
Volumetric Rates (per kGal)							
0 - 2,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons		3.32	3.50	3.69	3.89	4.10	4.32

WATER RATE DESIGN

City

	# of Accounts	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee							
3/4" or less	37	\$13.25	\$13.97	\$14.72	\$15.52	\$16.36	\$17.24
1"	11	33.13	34.92	36.80	38.79	40.89	43.10
1.5"	8	66.25	69.83	73.61	77.58	81.78	86.20
2"	27	106.00	111.73	117.77	124.13	130.84	137.92
3"	1	198.75	209.49	220.82	232.75	245.33	258.59
4"	3	331.25	349.15	368.03	387.92	408.88	430.98
6"	2	662.50	698.31	736.05	775.84	817.77	861.97
8"	-	1,060.00	1,117.29	1,177.68	1,241.34	1,308.43	1,379.15
10"	-	1,523.75	1,606.11	1,692.92	1,784.42	1,880.87	1,982.53
12"	-	2,848.75	3,002.72	3,165.02	3,336.09	3,516.41	3,706.47
Volumetric Rates (per kGal)							
All Volumes		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WATER RATE DESIGN

SFA

	# of Accounts	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee							
All Meters	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volumetric Rates (per kGal)							
0 - 2,000 gallons		\$3.35	\$3.53	\$3.72	\$3.92	\$4.14	\$4.36
2,001 – 10,000 gallons		3.35	4.06	4.28	4.51	4.76	5.01
10,001 - 30,000 gallons		3.85	4.67	4.92	5.19	5.47	5.76
30,001 - 75,000 gallons		4.43	5.37	5.66	5.97	6.29	6.63
75,001+ gallons		5.10	6.18	6.51	6.86	7.23	7.62

WATER RATE DESIGN

SFA Irrigation

	# of Accounts	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee							
All Meters	38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volumetric Rates (per kGal)							
0 - 2,000 gallons		\$4.19	\$4.42	\$4.66	\$4.91	\$5.17	\$5.45
2,001 – 10,000 gallons		4.19	5.08	5.35	5.64	5.95	6.27
10,001 - 30,000 gallons		4.82	5.84	6.16	6.49	6.84	7.21
30,001 - 75,000 gallons		5.54	6.72	7.08	7.46	7.87	8.29
75,001+ gallons		6.37	7.73	8.14	8.58	9.05	9.54

SEWER RATE DESIGN

Residential

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee						
All Meters	\$15.25	\$16.07	\$16.94	\$17.86	\$18.82	\$19.84
Volumetric Rates (per kGal)						
0 – 2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001 – 20,000 gallons	5.05	5.32	5.61	5.91	6.23	6.57
20,001+ gallons	-	-	-	-	-	-

SEWER RATE DESIGN

Non-Residential Inside
& Heavy Industrial

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee						
All Meters	\$17.54	\$18.49	\$19.49	\$20.54	\$21.65	\$22.82
Volumetric Rates (per kGal)						
0 – 2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	5.81	6.12	6.46	6.80	7.17	7.56

SEWER RATE DESIGN

Monitored

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee						
All Meters	\$6.68	\$7.04	\$7.42	\$7.82	\$8.25	\$8.69
Volumetric Rates (per kGal)						
0 – 2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	3.35	3.53	3.72	3.92	4.14	4.36

SEWER RATE DESIGN

City

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Minimum Monthly Fee						
All Meters	\$17.54	\$18.49	\$19.49	\$20.54	\$21.65	\$22.82
Volumetric Rates (per kGal)						
All Volumes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Other Available Funds

Funding Plan Summary	2025	2026	2027	2028	2029
BEGINNING BALANCE¹					
Equipment Replacement Fund	\$ 28,218,920				
Future CIP	7,854,971				
ARPA	2,561,000				
TOTAL BEGINNING BALANCE	\$ 38,634,891	\$ 35,068,891	\$ 31,503,891	\$ 27,948,891	\$ 24,393,891
REVENUES					
Future CIP	\$ 3,645,000	\$ 3,645,000	\$ 3,645,000	\$ 3,645,000	\$ 3,645,000
Equipment Replacement	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL REVENUES	\$ 4,645,000	\$ 4,645,000	\$ 4,645,000	\$ 4,645,000	\$ 4,645,000
EXPENSES					
Other Capital Equipment ²	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Water Line Additions/Replacements - ARPA	691,813	-	-	-	-
Water Line Additions/Replacements	750,000	-	750,000	750,000	750,000
Water Line Developer Reimbursements	250,000	250,000	250,000	250,000	250,000
Major Water Line Repairs	-	-	-	1,500,000	900,000
Water Well Rehab (one annually)	350,000	350,000	350,000	350,000	350,000
SCADA Replacements & Upgrades	8,187	590,407	750,000	350,000	-
SWPS Transmission Line Replacement	-	309,593	-	-	-
AMR Transmitter & Meter Replacement	-	-	-	-	-
N Middle Plane Elevated Storage Tank	-	250,000	500,000	-	-
SSPS - SWPS Interconnect	-	-	-	-	-
Direct Connect US 59 Water Line Relocation	-	-	-	-	-
VFD for Motors at Surface Water Plant	-	-	-	-	-
Water Treatment Filter Reconstruction	-	-	400,000	-	400,000
SWTP LED Lighting	-	-	-	-	-
Blowers at SWTP	-	-	-	-	-
Liftstation (FM 1878) Replacement	-	-	-	-	-
Banita Creek Sewer Line Replacement	-	-	-	-	-
Lanana Creek Sewer Line Replacement	-	-	-	1,021,571	-
Sewer Line Additions/Replacements - ARPA	1,316,000	-	-	-	-
Sewer Line Additions/Replacements	750,000	750,000	750,000	750,000	750,000
Sewer Line Developer Reimb.	250,000	130,000	250,000	250,000	250,000
Direct Connect US 59 Sanitary Sewer Relocation	480,000	-	-	-	-
Major Sewer System Repairs	-	-	-	1,278,429	2,850,000
WWTP General Improvements	500,000	500,000	500,000	500,000	500,000
TDS & Phosphate Plant Upgrades	-	300,000	1,800,000	-	-
Clarifier 3 & 4 Rebuild	-	-	-	-	-
Clarifier 1 & 2 Repair	-	-	550,000	-	-
Grit Trap Replacement	358,187	-	-	-	-
SCADA Replacements & Upgrades	640,000	300,000	150,000	-	-
Digester Improvements	-	880,000	-	-	-
WWTP Surface Aerator Replacement	90,000	-	-	-	-
WWTP Headworks Conveyor Rebuild	60,000	-	-	-	-
WWTP 8" Pump Replacement	80,000	-	-	-	-
Aeration Upgrades to WWTP	300,000	2,400,000	-	-	-
Belt Press Building	136,813	-	-	-	-
Total Expenses	\$ 8,211,000	\$ 8,210,000	\$ 8,200,000	\$ 8,200,000	\$ 8,200,000
ENDING FUND BALANCE	\$ 35,068,891	\$ 31,503,891	\$ 27,948,891	\$ 24,393,891	\$ 20,838,891